



National Child Care Information Center



243 Church Street NW, 2nd Floor
Vienna, Virginia 22180

Phone: (800) 616-2242 Fax: (800) 716-2242 TTY: (800) 516-2242

TIERED QUALITY STRATEGIES: DEFINITIONS and STATE SYSTEMS

Tiered quality strategies (TQS) broadly encompass the systems of tiered reimbursement, rated licensing, quality rating systems, and a combination of these strategies. There are similarities and differences in these systems as implemented by States. However, each of these tiered quality strategies has as the overarching goal to improve child care quality through systemwide improvements rather than through an incremental approach.

In June 2004, an analysis of tiered quality strategies by the National Child Care Information Center (NCCIC) showed that 36 States have implemented a tiered quality strategy, noting not all of these systems have been implemented Statewide. Tiered quality strategies are a rapidly advancing approach for improving child care quality. In *Tiered Reimbursement Rates and Rated Licenses* (Updated May 1999), Gwen Morgan reported 16 States paid more for higher-quality care. Not only are more States investing in tiered quality strategies, but there are more approaches to tiered quality strategies in operation. Strategies that States have developed include the following four approaches to TQS: tiered reimbursement, rated licenses, quality ratings, and a combination of these strategies. Also, more States are moving from a two-level system of recognizing higher-quality, to the development of multi-level quality systems. Twenty States (DC, CO, FL, GA, KS, KY, MD, MA, MO, MT, NM, NY, NC, OK, PA, SC, TN, TX, VT, WA) have implemented a tiered quality strategy with more than two levels. However, not all of these strategies have been implemented Statewide.

The following is a brief definition of each type of tiered quality strategy, along with a State example for each. Also included is a table classifying the 36 State tiered quality strategies, the system name, and the Web site included when available.

Tiered Reimbursement (a funding strategy)

The most common tiered quality strategy is tiered reimbursement. In tiered reimbursement systems, States provide higher rates of pay for child care centers and/or family child care homes that participate in the subsidy program, and achieve one or more levels of quality beyond basic licensing requirements. The funding (merit awards, bonuses, incentive pay, etc.) can be assigned to go to an individual, eligible subsidized child, or can be assigned to go to the child care program or provider. In addition to the higher rate of pay, the funding strategies used in tiered reimbursement can also include bonuses, stipends, salary initiatives, State dependent care tax credits, etc.

Some tiered reimbursement systems include only two levels: the first level generally ties its lower reimbursement rate to the provider meeting basic licensing requirements, while the second level provides a higher rate—typically a rate based primarily on achieving accreditation by a national organization. An example of a Statewide two-level tiered reimbursement system is **Florida's** Gold Seal Quality Care Program. Additional information about Florida's Gold Seal Quality Care Program is available on the Web at http://www5.myflorida.com/cf_web/myflorida2/healthhuman/childcare/goldseal.html.

A growing number of States are implementing tiered reimbursement strategies that involve multi-levels of quality criteria, the categories of which vary by the needs of the State. These multi-levels are often based on research that has demonstrated significant relationships between the criteria and the quality of care. Some examples of common categories of criteria include: licensing status/compliance, accreditation, learning environment, staff and/or director qualifications/training, staff:child ratios/group size, staff compensation, parental/family involvement, and administrative policies and procedures. An example of a multi-level tiered reimbursement system is AIM HIGH, **New Mexico**'s Early Care and Education Quality Improvement Pilot Project. AIM HIGH's program materials are available on the Web, including, *AIM HIGH Requirements At a Glance*, at <http://www.newmexicokids.org/Resource/Library/AIMHIGH/ReqatGlance.pdf>.

Rated License (a licensing strategy)

In a rated license system, the quality criteria for each particular level are embedded in the State's requirements for obtaining one of the multiple child care licenses. In this type of system, the State provides a rating for all facilities. To date, **North Carolina** is the only State that has a rated license system; and accreditation by a national organization is not part of their tiered strategy system. A rated license may or may not be tied to different funding levels, but is embedded in the licensing structure. A significant difference with this system, and other tiered strategies, is that each individual rated license is a property right and is based in statute. In North Carolina's rated license system, all child care programs participate in the system, and programs participating in the State's child care subsidy program receive a differential rate based on the level they achieve. North Carolina's tiered strategy system is a combination of a rated license and a quality rating system. More information on North Carolina's Five-Star Rated License is available on the Web at http://ncchildcare.dhhs.state.nc.us/parents/pr_sn2_ov_sr.asp.

Quality Rating Systems (a consumer strategy)

In a quality rating system, a State and/or county develops and markets a quality rating indicator for use as a child care consumer guide. A quality rating system is often considered a "report card" for child care facilities. The "symbols," which represent varying quality rating levels, are easy-to-understand indicators of quality such as a "three-star" or "gold level." These quality ratings can stand alone without being tied to a funding standard such as tiered reimbursement. As such, this strategy also can be used as a first step for States or communities planning to develop a tiered reimbursement or rated license system later, when funding is available. An example of a quality rating system is Educare **Colorado**. Educare's Early Learning Report includes detailed information about participating programs, and is provided to help parents and others to identify individual programs that have successfully achieved a Quality Rating of one to four stars from the Educare Colorado program. Additional information about Educare Colorado is available on the Web at <http://www.educarecolorado.org>.

Combination of Strategies

A combination of strategies can include combining the goals and characteristics of tiered reimbursement, rated licensing, and/or quality rating systems. An example of a State using this combination of strategies is **Oklahoma**'s Reaching for the Stars. The State used this approach to achieve two of their goals: (1) to raise the Oklahoma Department of Human Services' subsidy reimbursement rate, resulting in more slots for children whose families are receiving child care assistance; and, (2) to provide a system to inform parents of quality criteria met by child care programs. Oklahoma's system combines a higher rate for child care programs that achieve one or

more levels of quality beyond basic licensing requirements—with a quality rating indicator that is embedded in the States’ quality criteria levels. Additional information about Reaching for the Stars is available on the Web at http://okdhs.org/childcare/ProviderInfo/provinfo_stars.htm. Additionally, as the tiered quality strategies are growing in the States, existing programs also have been expanded and refined. Some States have had a two-level tiered reimbursement system for years, and are in the planning stages, or have already moved to expand this program to include a quality rating system that provides a quality rating indicator for programs. An example of this expansion is **Vermont**, with their recent STep Ahead Recognition System (STARS) quality rating system.

**STATE TIERED QUALITY STRATEGIES:
TYPE of SYSTEM, SYSTEM NAME, and WEB SITE**

STATE	TYPE of SYSTEM¹ (Tiered Reimbursement, Rated License, and/or Quality Rating System)	SYSTEM NAME and WEB SITE (when available)
AZ	Tiered Reimbursement	Not Available
AR	Tiered Reimbursement	ABC (Arkansas Better Chance) Core Quality Component Model Arkansas Child Care Approval System Web site http://www.state.ar.us/childcare/rules.html Arkansas Better Chance Program 2003-2004 Web site http://www.arkansas.gov/childcare/abcpro.html
CO	Tiered Reimbursement (county option)	Not Available
	Quality Rating System	Educare Colorado http://www.educarecolorado.org
CT	Tiered Reimbursement	Not Available
DC	Tiered Reimbursement Quality Rating System	Going for the Gold Web site not available

STATE	TYPE of SYSTEM¹ (Tiered Reimbursement, Rated License, and/or Quality Rating System)	SYSTEM NAME and WEB SITE (when available)
FL	Tiered Reimbursement	Gold Seal Quality Care Program http://www5.myflorida.com/cf_web/myflorida2/health_human/childcare/goldseal.html
	Quality Rating System (additional levels are county option)	Not Available
GA	Tiered Reimbursement Quality Rating System Available in 14 counties (Smart Start Plus counties)	Tiered Reimbursement Program http://smartstartga.org/families_and_community/programs/tiered.php
HI	Tiered Reimbursement	Not Available
IN	Tiered Reimbursement	Not Available
KS	Quality Rating System Pilot program in the Kansas City metropolitan area	Educare Colorado Web site not available
KY	Tiered Reimbursement Quality Rating System	STARS for KIDS NOW Child Care Quality Rating System http://www.education.ky.gov/KDE/Instructional+Resources/Early+Childhood+Development/STARS+-+The+Childcare+Quality+Rating+System.htm
LA	Tiered Reimbursement Class-A child care centers only	Not Available

STATE	TYPE of SYSTEM¹ (Tiered Reimbursement, Rated License, and/or Quality Rating System)	SYSTEM NAME and WEB SITE (when available)
ME	Tiered Reimbursement	Not Available
MD	Tiered Reimbursement Quality Rating System	Maryland Child Care Tiered Reimbursement Program http://63.236.98.116/cca/creden/tiered.htm
MA	Tiered Reimbursement	Tiered Rate Reimbursement System Web site not available
MS	Tiered Reimbursement Child care centers and group child care homes only	Office for Children & Youth (OCY) Weekly Child Care Reimbursement Tiers Web site not available
MO	Tiered Reimbursement	Not Available
	Quality Rating System Pilot program in the Kansas City metropolitan area	Educare Colorado Web site not available
MT	Tiered Reimbursement Quality Rating System	Star Quality Rating System http://www.dphhs.state.mt.us/services/programs_available/star_quality_child_care.htm
NE	Tiered Reimbursement	Not Available
NV	Tiered Reimbursement	Not Available
NH	Tiered Reimbursement	Quality Award Web site not available

STATE	TYPE of SYSTEM¹ (Tiered Reimbursement, Rated License, and/or Quality Rating System)	SYSTEM NAME and WEB SITE (when available)
NJ	Tiered Reimbursement	Not Available
NM	Tiered Reimbursement	AIM HIGH http://www.newmexicokids.org/Resource/Library
NY	Tiered Reimbursement (county option)	Not Available
	Quality Rating System Pilot program in five counties	Child Care Programs of Excellence http://www.ccstars.org/
NC	Tiered Reimbursement Rated License Quality Rating System	North Carolina Star Rated License http://ncchildcare.dhhs.state.nc.us/parents/pr_sn2_ov_sr.asp
OH	Tiered Reimbursement	Not Available
	Quality Rating System Pilot program in eight counties	Step Up to Quality Web site not available
OK	Tiered Reimbursement Quality Rating System	Reaching for the Stars http://okdhs.org/childcare/ProviderInfo/provinfo_stars.htm
PA	Quality Rating System Pilot program Child care centers and	Keystone Stars http://www.dpw.state.pa.us/ocyf/childcarewks/ccwKeyStars.asp

STATE	TYPE of SYSTEM¹ (Tiered Reimbursement, Rated License, and/or Quality Rating System)	SYSTEM NAME and WEB SITE (when available)
	large family child care homes only	
SC	Tiered Reimbursement	The South Carolina Advocates for Better Care (ABC) Child Care Program and Child Care Voucher System Web site not available
TN	Quality Rating System	Child Care Evaluation and Report Card Program (Required for all licensed and approved child care providers in Tennessee) http://www.tnstarquality.org
	Quality Rating System Tiered Reimbursement	Star-Quality Child Care Program http://www.tnstarquality.org
TX	Tiered Reimbursement	Texas Rising Star Provider Certification http://www.twc.state.tx.us/svcs/childcare/provcert.pdf
UT	Tiered Reimbursement	Not Available
VT	Tiered Reimbursement	Quality Incentive Bonus Web site not available
	Quality Rating System	STep Ahead Recognition System for Child Care Programs (STARS) Web site not available
WA	Tiered Reimbursement Three year pilot project in Spokane County	Tiered Reimbursement Pilot Project Web site not available
WV	Tiered Reimbursement	Not Available

STATE	TYPE of SYSTEM ¹ (Tiered Reimbursement, Rated License, and/or Quality Rating System)	SYSTEM NAME and WEB SITE (when available)
WI	Tiered Reimbursement	http://www.dwd.state.wi.us/dws/programs/childcare/programs.htm

¹ This table does not include as a tiered quality strategy, practices in those States that have implemented stipends for completion of a credential, additional training hours, or lowered ratios; nor does it include differentials for certified, registered, or licensed child care programs. Only systems focused on care in the regulated arena and that met the definitions (outlined above) of tiered reimbursement, rated license, quality rating system, or a combination of these, are included in this table. Several other States not included in the table are in the process of establishing or expanding a tiered quality strategy, including (but not limited to) Illinois, Iowa, and South Carolina.

An updated 50-State summary of tiered quality strategies is forthcoming from NCCIC at http://nccic.org/user/government.html#tiered_strategies.

Additional information about the goals and characteristics of these systems is available in Overview of Tiered Strategies: Quality Rating, Reimbursement, Licensing (November 2002), by Judy Collins and Tracy Dry, NCCIC, available in HTML format on the Web at <http://nccic.org/poptopics/tieredstrategies.html> and in PDF format on the Web at <http://nccic.org/poptopics/tieredstrategies.pdf>.

The National Child Care Information Center does not endorse any organization, publication, or resource.

*Prepared by
Tracy Dry and Judy Collins, National Child Care Information Center
Updated June 2004*